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March 17, 2008

Our File No. 20776-00101-63

Ms. Marlene H. Dortch, Secretary
Federal Communications Commission
c/o Natek, Inc.
236 Massachusetts Avenue, N.E., Suite 110
Washington, DC 20002

FILED/ACCEPTED

MAR 17 2008

Federal Communications Commission
Office of the Secretary

**Reference: MM Docket No. 04-233
Broadcast Localism**

Dear Madam Secretary:

Submitted herewith are an original and four (4) copies of the comments of Horizon Broadcasting Group LLC in the above referenced rulemaking proceeding.

Should you have any questions please communicate with the undersigned.

Respectfully submitted,

HORIZON BROADCASTING GROUP LLC

By: 

Henry A. Solomon
Its Attorney

Enclosures
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March 12, 2008

The Secretary
Federal Communications Commission
445 – 12th Street, SW
Washington, D.C. 20554
Attn: Chief, Media Bureau

FILED/ACCEPTED

MAR 17 2008

Federal Communications Commission
Office of the Secretary

MM Docket No. 04-233

Dear Madam Secretary,

I am submitting an original and four copies of the Comments of Horizon Broadcasting Group, LLC ("HBG") in response to the Localism Notice of Proposed Rulemaking (the "NPRM"), released January 24, 2008 in MB Docket No. 04-233. These Comments are timely filed.

HBG is a small, privately-held company. Its Central Oregon stations serve the communities of Bend, Redmond, Prineville, Madras and Sisters. HBG has annual revenues of approximately \$3MM and thus qualifies as a small radio business.¹ We employ 23 full-time and 6 part-time employees.

HBG urges the Commission not to change the main studio rule, but if it decides to make the rule more stringent, there should be an exemption for small business broadcasters. (See, for example, the small market exemption for cable systems - Rule 76.95.)

HBG agrees that serving local communities is tantamount to the forward movement of our industry. However, the landscape has changed—literally. Many communities that were independent entities 20 years ago have synthesized into a larger regional economy or trade areas. Many broadcasters, particularly in small markets across America, are serving their communities of license in extraordinary fashion. Please don't allow Wall Street's behavior as investors in our industry to paint us all with the same brush.

Horizon Broadcasting Group is doing *exactly* what the FCC originally asked of licensees – we are serving the public interest, convenience and necessity, day in and day out in Central Oregon. Our job is to create compelling local programs, and create effective marketing campaigns for our customers that make their cash registers ring.

¹SBA Website, Table or Small Business Size Standards, 515112. See also NPRM at 78.

Like other media, we serve a vital role in helping the economy of our region move forward in a productive and meaningful fashion.

When we acquired the five radio stations in our cluster in Central Oregon in 2000 (KQAK-FM, KLTW-FM, KWPK-FM, KWLZ-FM and KRCO-AM) all were operated primarily with satellite programming and minimal staffing. We discontinued this practice, hired local programming personnel, and began the task of reconnecting these stations with the communities they serve in our trade area. We hired a local news director to produce newscasts on all of these stations, and began a weekly public affairs program. We created 9 new jobs at stations previously serving as satellite pass-throughs, paying competitive wages with a generous benefits package (full medical, dental and vision for employee, 50% dependent coverage, a 401-K plan with an employer match, etc.).

We quickly discovered that communities such as Prineville have become part of a three-county trade area and that it was no longer economically feasible to have the KRCO and KLTW studios in the stations' community of license. In the past both stations thrived with the support of some 250 going-concern businesses in Prineville. However, by 2000, Prineville had approximately 50 going concern retail businesses, and many of the media buying decisions were being made in Bend, Oregon (i.e., Les Schwab Tire Centers, Bank of the Cascades, Community First Bank) and furthermore, by out of market advertising agencies (i.e., Bi-Mart, McDonald's, US Bank, Wells Fargo Bank, Ray's Market, etc.). Bend has become one of the fastest-growing communities in Oregon, from the standpoints of population and economic expansion.

HBG's decision to establish a main studio complex at Bend has fostered each station's local identity. For example, we provide hourly local newscasts on KRCO, produce a daily one-half hour "Hometown News" program that is in its 59th year, and broadcast high school sports for football, boys and girls basketball and wrestling. The daily "Trading Post" program is among the most listened-to hours of radio in the market. Our annual "Rotary Dollars For Scholars" broadcast funds college scholarships for students at Crook County High School, and our food drives, toy drives and countless non-profit oriented broadcasts provide tremendous benefit to the community of license. We are in Prineville every day, providing traffic reports from our "Highway Hero" vehicle, speaking at services clubs, gathering news, and getting feedback from the communities we serve.

As a lifelong broadcaster I will tell you that we can better serve a community such as Prineville from a studio complex at Bend. We are able to hire highly qualified and experienced programming personnel for product development and community involvement. We do not have to purchase and maintain duplicative computer systems and other office equipment that would be required if HBG had to maintain multiple studios. Moreover, having all of our employees at one central location encourages the sharing of ideas regarding programming and marketing more effectively than would otherwise be the case if we had to build and staff multiple main studios. Weekly manager meetings are not substitutes for daily, interpersonal contacts between and among decision-making personnel who "sit" at the "same desk" every day. As noted, another purely economic reason for operating from a single main studio at Bend's status as, the center of the regional trade economy and as such, 90% of the advertiser marketing decisions for Central Oregon radio buys are made there.

The capital expense to unwind our consolidated facility would, by conservative estimates, approach \$375,000 (the equivalent of 6.8 full-time employees). Staffing main studios in each community of license would present an annual increase in salary and

benefits approaching \$288,800. We have done the math. Lifelong broadcasters like me will be forced to put radio stations back on satellite and sacrifice the locally-produced programming content and non-profit partnership programs that makes HBG unique—and able to stay that way.

We are no longer living in the 1970's. If the main studio rule is changed, as proposed, the adverse economic impact will be felt by all broadcasters, and particularly by small market owners such as HBG who will have less dollars and cents to allocate to community outreach efforts and, of course to locally-oriented programming.

As operating costs are rising, and as more Americans are turning their attention to new media, the NPRM proposes measures that would substantially raise HBG's operating costs. The outcome of forcing us to re-establish a main studio presence in our communities of license will do nothing more than increase real estate costs, and other operating expenses, lead to the elimination of jobs and reduce the number of hours the stations can devote to locally produced programming.

We also urge the Commission not to change license renewal processing guidelines by reintroducing specific localism processing guidelines for broadcast renewal applications. This kind of regulatory micromangement may have the effect of limiting licensees' free speech rights.²

Like many small group owners HBG already adheres to guidelines it has established in order to better serve its communities of license. HBG produces 48 newscasts per day, air a minimum of 2 local public service announcements *per hour* on all stations, and produces a weekly 30 minute public affairs program that addresses the most pressing needs and issues facing communities in our service area. We produce election coverage each Spring and Fall (airing on all stations).

HBG broadcasts in a region that has frequent forest fires and weather related incidents. Though we utilize automation for efficiency in our operation, we also employ a strategic plan to be responsive to the events that impact the communities we serve. Our emergency event broadcast plan involves three levels (from occasional reports to wall-to-wall coverage simulcast on all five stations) and involves personnel from all departments. In our market, radio is frequently first on the scene of a major event (often *in advance* of Emergency Alert System activation), providing information to those in need and assistance to local, state and federal agencies coordinating relief.

HBG's five radio stations have a non-profit partnership program that involves some 40 organizations focused on improving the lives of children throughout the region we serve. The program provides a substantial amount of free airtime (in excess of \$1.25MM annually) to assist organizations in fundraising, friend-raising (awareness) and corporate involvement. We air countless other local public service announcements throughout our broadcast day (an average of 266 per week, on each of our five stations) to raise awareness of the quality work being performed by non-profit organizations in our community.

In paragraph 101 of the NPRM, the Commission defines voice-tracking as a method whereby stations import popular out-of-town personalities from bigger markets to smaller ones. However, small market cluster licensees such as HBG use digital automation systems to efficiently operate within their *small* communities. Our

² See Communications Act, Section 326.

programming personnel produce one live four-hour program per day, and voice track one additional shift on an alternate station in our service area. This provides us the opportunity to generate quality, locally-produced programming for Central Oregon by employees who are paid living wages. Limiting the use of digital automation would force us to adjust our business model, and the net effect would be the sacrifice of high quality, locally-produced programming (i.e., hiring less qualified, lower paid employees).

Our industry is driven by consumers (listeners). If our format selection, and the music that comes with it, does not resonate with listeners then we do not attract ratings. We don't use national playlists, but I discourage establishing parameters that dictate airplay of local musicians. This proposal will not address consumer demand, rather, it puts programming decisions in the hands of the FCC.

In sum, HBG urges the Commission to retain the current main studio rule. It has worked well and there is no reason to assume that modification will improve localism. However, if the rule is made more restrictive, there should be an exemption for small businesses such as HBG. Additionally, we urge the Commission to make no changes to the license renewal process, as what is being proposed is unnecessary, and furthermore, we encourage the Commission to abandon its efforts to limit the use of voice-tracking and national playlists.

Respectfully Submitted,

HORIZON BROADCASTING GROUP, LLC



Keith Shipman
President & Chief Executive Officer

kbs

cc: Hon. Greg Walden
Senator Gordon H. Smith
Senator Ron Wyden
Henry Sojomon, Esq., Garvey Schubert Barer
David Rehr, National Association of Broadcasters
Bill Johnstone, Oregon Association of Broadcasters